General Assistance Levels -- Correction

The report mistakenly understates the levels of benefits provided to disabled people under Rhode Island's general cash assistance program. What it characterizes as *monthly* benefit figures are in fact *weekly* benefit figures.

The report (pp. 6-7) states that in the summer maximum general assistance payments are $65 *per month* for an individual and $89 *per month* for a two-person household, which are equal to 13.5 percent and 14.4 percent of the respective poverty lines for these households. However, the benefit levels of $65 and $89 are actually *weekly* figures. The *correct monthly* figures are approximately $279 for an individual (57.9 percent of the poverty line) and $382 for a two-person household (61.9 percent of the poverty line). These calculations used a factor of 4.3 for converting from weeks to months; this is the standard conversion factor used by the federal food stamp program.

Similarly, Footnote 8 mistakenly states that winter benefits are about $4 higher *per month* than summer benefits. In fact, winter benefits are about $4 higher *per week* or approximately $17 higher *per month*.

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SOUTH CAROLINA

HOLES IN THE SAFETY NETS
POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

~~The~~ Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

South Carolina Highlights

Estimated poverty rate, 1985	15.2%
Estimated number of poor, 1985	507,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	26.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	56.6%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	51.3%
Percentage of unemployed receiving unemployment insurance, 1986	28.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	36.6%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
State general assistance	no**	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

**A program does exist, but it is so limited in scope that in a sample month it served only 25 people.

SOUTH CAROLINA

An estimated 15.2 percent of the population of South Carolina, or 507,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in South Carolina, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who receive assistance are unlikely to be lifted out of poverty by it.

Although South Carolina has taken some significant steps in recent years to strengthen policies that aid the poor, including major education reforms not discussed here, the safety net for poor people contains some large holes. While South Carolina in 1985 adopted the "AFDC-UP" program, which extends AFDC benefits to some poor two-parent households with an unemployed worker, the state's level of AFDC cash assistance is low, ranking 45th among all states and the District of Columbia. A family of three with no other income receives a maximum AFDC benefit of $200 a month, which equals 26.5 percent of the poverty line.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

For all members of a three-person family to be eligible for Medicaid, the family must have income of less than 51.3 percent of the poverty line. The state does not elect the Medicaid option that would extend coverage to poor families whose gross income is above this level, but who incur high medical expenses that leave them as poor as families receiving AFDC benefits. In a positive step, South Carolina has adopted the new Medicaid option that extends coverage to pregnant women and young children who live in families with incomes up to the poverty line.

Elderly and disabled people who are poor in South Carolina can receive the basic federal SSI grant, but this leaves them below the poverty line. South Carolina is not one of the 27 states that supplements SSI benefits to bring the elderly and disabled poor closer to or above the poverty line.

There is no state general cash assistance for poor single individuals and childless couples who are neither disabled nor elderly.

Moreover, only 28.3 percent of unemployed South Carolinians received unemployment insurance in 1986. For poor unemployed workers who do not qualify for or have exhausted their unemployment benefits, the safety net is very limited. They may be ineligible for virtually all cash assistance, regardless of the degree of their poverty.

These and other aspects of the South Carolina safety net will be discussed in this analysis.

The first part of the analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC supplemental food program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families (although adoption of an AFDC-UP program by a state narrows this difference for two-parent families). Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in South Carolina well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. South Carolina does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In South Carolina:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $200 per month, or $2,400 per year. This AFDC benefit equals 26.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 45th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 56.6 percent of the poverty line.[3]

  However, one of every five AFDC households in South Carolina does not receive food stamps. South Carolina's food stamp participation rate for AFDC households is below the national average.[4]

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[4] According to a recent study by the General Accounting Office (GAO), 79.5 percent of AFDC households in South Carolina received food stamps in fiscal year 1986, while 20.5 percent -- or 9,454 AFDC households -- did not. Nationwide, 83.4 percent of AFDC households received food stamps. Households in which all

- For a family of three without any income, AFDC benefit payments equal 51.5 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $2,880 per year, which equals 24.8 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 20.2 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in South Carolina who incurs deductible child care costs of $106 a month,[5] earnings of $580 a month -- equal to 76.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In South Carolina:

- For a single mother with two children who does *not* get a child care deduction, earnings of $474 a month -- equal to 62.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency

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members are covered by an AFDC grant are automatically eligible for food stamps; in South Carolina, 89.6 percent of such households received food stamps, while 10.4 percent did not. Among households consisting of both AFDC family members and other persons who live with them, 72.7 percent received food stamps in South Carolina.

[5] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- South Carolina does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- South Carolina has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 1.1 percent of the AFDC caseload in South Carolina consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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[6] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In South Carolina:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.
- South Carolina does *not* supplement the basic federal SSI grant.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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[7] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[8] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In South Carolina:

- There is a state general assistance program serving disabled people, but eligibility requirements are so restrictive that as of October 1987 only 25 persons were on the rolls. Nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).
- For a household without any income, the monthly benefits is $27 for one person, which is equal to 5.6 percent of the poverty line for this household. Benefits are provided only on a temporary basis.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of eligibility provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on the limited state medical assistance program for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with a full-time worker are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- South Carolina extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- South Carolina is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in South Carolina is the same as the AFDC income eligibility limit, which is 51.3 percent of the three-person poverty level. (The state had a Medically Needy program from 1984 to 1987, but it was eliminated in March 1987.)

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

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[9] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- South Carolina has a SOBRA program, with an income eligibility limit equal to the federal poverty level. However, instead of covering children up to their second birthday as allowed by federal law, the South Carolina program covers children up to their first birthday.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, South Carolina covered 17 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Services *not* covered by the Medicaid program in South Carolina included occupational therapy and services for speech, language, and hearing disorders.

The provisions of the Medicaid program in South Carolina is especially noteworthy because in 1985 the state infant mortality rate was 14.2 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including South Carolina, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

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[10] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- South Carolina does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- South Carolina has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in South Carolina does not pay for items and services such as dentures and physical therapy.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in South Carolina.

Medically Indigent Programs

Poor singles and childless couples who are neither elderly nor disabled, as well as other impoverished households that do not receive Medicaid coverage, may receive some health care assistance from South Carolina's Medically Indigent Assistance Fund. This state program covers low-income medically indigent households that are not covered by Medicaid or Medicare, but assistance under the program is limited to in-patient hospital services. No other health care services are covered.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial program discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In South Carolina:

- Some 28.3 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- South Carolina ranked 34th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 35.3 percent of the unemployed in South Carolina received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In South Carolina:

- Average unemployment insurance benefits equaled 32.4 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of the income of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In South Carolina, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	31.4%
Corporation net income	5.2
General sales	38.5
Selective sales	17.9
License	5.5
Other taxes	1.5

As the table indicates, South Carolina collects 36.6 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In South Carolina:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty line).

While income tax burdens on the poor in South Carolina generally are not significant, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In South Carolina:

- The sales tax rate was 5.0 percent in 1987.

- Some 38.5 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In South Carolina:

- Food was *not* exempt from taxation. (There is a notable exception: federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- South Carolina does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreaker cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- South Carolina does *not* have a circuitbreaker program.[11]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 45,692 renter households in South Carolina received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

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[11] Circuitbreaker information is from 1985.

- Yet in 1983, the number just of "very low-income" renter households residing in South Carolina totalled 156,080. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 29.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 29.3 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In South Carolina:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 24.2 percent. This represented a shortage of 17,079 very low-rent units. (The shortage, moreover, is understated, because some of the very low rent units were rented by households that did not have very low incomes.)

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

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[12] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, South Carolina's share of the federal LIHEAP appropriation equaled 11.2 percent of the estimated total heating and cooling costs[13] of all low-income households in South Carolina which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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[13] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In South Carolina, an estimated 57.7 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- South Carolina does not supplement the WIC program.

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[14] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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SOUTH DAKOTA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

South Dakota Highlights

Estimated poverty rate, 1985	17.3%
Estimated number of poor, 1985	122,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	48.4%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	74.6%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	48.4%
Percentage of unemployed receiving unemployment insurance, 1986	21.0%
Percentage of state tax revenue from individual and corporate income tax, 1986	5.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	no	25

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*Data are from 1987, except where otherwise noted.

SOUTH DAKOTA

An estimated 17.3 percent of the population of South Dakota, or 122,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in South Dakota, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that leaves them below the poverty line.

The safety net for poor people in South Dakota contains some large holes. The maximum AFDC benefit provided to a mother and two children with no other income equals less than half (48.4 percent) of the poverty line. From 1970 to 1987, AFDC benefit levels for impoverished families without other income plunged 53 percent in South Dakota, after adjusting for inflation, the third steepest decline of any state. In addition, more than one of every four AFDC families in South Dakota does not receive food stamps. The food stamp participation rate by AFDC families is lower in South Dakota than in all but five other states.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

South Dakota has elected not to provide AFDC benefits to two-parent families with children who are poor, unlike 28 other states that provide this coverage. South Dakota also lacks an AFDC emergency assistance program, which is used in a number of other states to provide aid to some homeless families with children and other families facing emergencies.

Medicaid eligibility is especially tightly constrained, with many poor households left outside the program. South Dakota is one of only seven states in the nation that has failed to adopt any of four key Medicaid options that provide health care coverage to members of poor families with children who do not receive AFDC benefits. More than half of the states extend Medicaid coverage to pregnant women and infants with incomes up to the poverty line, but South Dakota does not. The state's Medicaid eligibility limit (for a family of three) is set at 48.4 percent of the poverty line, making many poor families, including pregnant women and infants well below the poverty line ineligible for health care coverage. Moreover, unlike most other states, South Dakota has chosen not to provide Medicaid to poor families with children that have such high medical expenses that their income after medical costs makes them poorer than families on welfare. Finally, adults in two-parent families and many of their children are ineligible for Medicaid, no matter how poor they are.

The elderly and disabled poor in South Dakota may receive the basic federal SSI benefit and a state supplemental benefit, but South Dakota's state supplement is very small --$15 a month for a poor elderly individual. As a result, combined federal and state SSI benefits fall well below the poverty line.

In addition, there are no state standards for cash assistance to poor single individuals and childless couples who are neither elderly nor disabled, with the level of any such assistance that is provided left up to each county. These types of households are also unlikely to receive health assistance.

Unemployment insurance coverage is also limited. In 1986, only about one in every five (21 percent) unemployed workers received unemployment benefits in an average month. This was the third lowest unemployment coverage rate of any state in the nation. For unemployed two-parent families and their children that do not qualify for or have exhausted their unemployment benefits (as well as for jobless single individuals and childless couples in this situation who are not elderly or disabled), little or no safety net exists. They are ineligible for virtually any cash assistance, and in most cases for health care coverage as well, regardless of how poor they may be.

While the benefits that South Dakota provides to its low-income population are limited, the state imposes significant tax burdens on this population. There is no state income tax (the income tax tends to be the least burdensome tax to the poor), and the state relies heavily on a sales tax that is highly regressive. South Dakota is one of only seven states that fails to exempt either food or utilities from the sales tax. While the state does have a sales tax credit program and a property tax "circuitbreaker" for low-income households, both of these relief programs are restricted to the elderly and disabled. For poor families with children, no such tax relief is provided.

These and other aspects of the South Dakota safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in South Dakota well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. South Dakota does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In South Dakota:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $366 per month, or $4,392 per year. This AFDC benefit equals 48.4 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 22nd out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $198 per month. At most, AFDC and food stamp benefits combined can equal 74.6 percent of the poverty line.[3]

  However, more than one of every four AFDC households in South Dakota does not receive food stamps. South Dakota's food stamp participation rate for AFDC households is the sixth lowest in the nation.[4]

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,896 per year, which equals 42.1 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 53.4 percent -- or more than half -- from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[4] According to a recent report by the U.S. General Accounting Office, 72.8 percent of AFDC households in South Dakota received food stamps in fiscal year 1986, while 27.2 percent did not. The national average participation rate for AFDC households was 83.4 percent.

Households in which all members were covered by an AFDC grant are automatically eligible for food stamps. In South Dakota, 85.9 percent of such households received food stamps, compared to [illegible]3.7 percent nationwide. Among households consisting both of AFDC family members and of other persons residing with them, 55.3 percent received food stamps in South Dakota, compared to 66.1 percent nationwide.

- For a single mother with two children in South Dakota who incurs deductible child care costs of \$106 a month,[5] earnings of \$567 a month -- equal to 75.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In South Dakota:

- For a single mother with two children who does *not* get a child care deduction, earnings of \$461 a month -- equal to 61.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- South Dakota does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- South Dakota does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in South Dakota, employable two-parent families with an unemployed primary earner are ineligible for state cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

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[5] \$106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

[6] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7] Moreover, even though South Dakota supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In South Dakota:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- South Dakota supplements the basic federal SSI grant by $15 a month for an individual and $15 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 78.1 percent of the poverty line for an individual and 91.5 percent for a couple. (Twenty-one of the other 26 states that supplement SSI provide higher supplement levels.)

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $38 per month for an individual and $59 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 86.4 percent of the poverty line for individuals and 101.8 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In South Dakota:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though South Dakota does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- South Dakota does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since two-parent families in South Dakota are not otherwise eligible for Medicaid benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- South Dakota extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- South Dakota is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in South Dakota is the same as the AFDC income eligibility limit, which is only 48.4 percent of the three-person poverty level.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- South Dakota does *not* have a SOBRA program.

South Dakota is one of seven states that has adopted *none* of the four Medicaid options described above: coverage of two-parent families, coverage of Ribicoff children, a Medically Needy program, and SOBRA coverage of pregnant women and young children. In contrast, 41 states have adopted two or more of these options.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, South Dakota covered 16 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state.

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[9] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[10] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Important items and services *not* covered by the Medicaid program in South Dakota included eyeglasses and occupational therapy.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid, but this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

By federal law, recipients of the *federal* SSI grant are automatically eligible for Medicaid. South Dakota, however, is one of a few states that has chosen not to confer automatic Medicaid eligibility on people who only receive *state* supplemental SSI benefits.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- South Dakota does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- South Dakota has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide for the services mentioned above, Medicaid in South Dakota does not pay for services such as rehabilitative services and diagnostic, screening, and preventive services other than those specifically provided for through the plans.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in South Dakota.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In South Dakota:

- 21.0 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- South Dakota ranked 49th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 30.4 percent of the unemployed in South Dakota received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In South Dakota:

- Average unemployment insurance benefits equaled 40.8 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in South Dakota is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of a state general cash assistance program (there are county-based general cash assistance programs). As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In South Dakota, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0.0%
Corporation net income	5.8
General sales	49.3
Selective sales	29.8
License	10.8
Other taxes	4.3

South Dakota is one of 10 states without a broad-based individual income tax. This usually leads to a state tax system that relies primarily on regressive taxes and increases overall tax burdens on low-income people.

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In South Dakota:

- The sales tax rate was 5.0 percent in 1987. It was reduced to 4.0 percent in 1988.
- Some 49.3 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In South Dakota:

- Food and utilities were *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- South Dakota has a sales tax credit for low-income households, but it is restricted to the elderly and the disabled.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- South Dakota has a circuitbreaker program.[11]
- However, South Dakota has one of the six most restrictive circuitbreakers in the country. Eligibility for the South Dakota circuitbreaker is limited to elderly and disabled homeowners. All low-income renter households and all low-income homeowners who are not elderly or disabled are ineligible.
- By contrast, 25 of the other 30 states with circuitbreaker programs do cover renters, and 10 states also cover households which are neither elderly nor disabled.
- The average annual benefit from the circuitbreaker in South Dakota was $111 in 1985, and benefits could be extended to eligible households with incomes up to $7,375.

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[11] Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 16,827 renter households in South Dakota received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in South Dakota totalled 35,230. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 47.8 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 47.8 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In South Dakota:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 29.1 percent. This represented a shortage of 4,786 very low-rent units. (The shortage is understated, because some of the very low-rent units were rented by households that did not have very low incomes.)

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low-rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

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[12] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

- In fiscal year 1987, South Dakota's share of the federal LIHEAP appropriation equaled 29.5 percent of the estimated total heating and cooling costs[13] of all low-income households in South Dakota which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In South Dakota, only an estimated 41.8 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- South Dakota does *not* supplement the WIC program.

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[13] Heating and cooling costs average less than half of the total energy costs of low-income households (on a national basis).

[14] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

South Dakota is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. However, it operates only on the Oglala Sioux Reservation, where it serves 1,732 participants. The WIC participation rate mentioned above accounts for these CSFP participants.[15]

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[15] CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

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TENNESSEE

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Tennessee Highlights

Estimated poverty rate, 1985	18.1%
Estimated number of poor, 1985	863,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	21.0%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	51.2%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	46.7%
Percentage of unemployed receiving unemployment insurance, 1986	24.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	10.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

TENNESSEE

An estimated 18.1 percent of the population of Tennessee, or 863,000 people, lived in poverty in 1985,[1] making it one of the poorest states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Tennessee, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance generally receive a level of aid that leaves them well below the poverty line.

The portion of the safety net for poor people in Tennessee that consists of cash assistance programs is among the weakest in the nation. Tennessee's level of AFDC cash to single-parent households ranks 49th among all states and the District of Columbia. The maximum AFDC benefit for a mother and two children with no other income is $159 a month, which equals one-fifth (21 percent) of the poverty line. From 1970 to 1987, AFDC benefits for impoverished families without other income fell by nearly half (48.5 percent) after adjusting for inflation, the eighth steepest decline of any state. If food stamps are counted as income and added in, maximum AFDC and food stamp benefits combined lift a family to only about half of the poverty line.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, Tennessee has elected not to provide AFDC benefits or health care coverage to two-parent families with children who are poor, unlike the majority of other states that provide this coverage. Tennessee also lacks an AFDC emergency assistance program, which is used by a number of other states to provide aid to some homeless families with children and other families facing emergencies. There is no state general cash assistance program for single individuals and childless couples who are poor but who are neither elderly nor disabled. Whether they receive any aid and the level of such aid is left up to the counties.

Medicaid eligibility is constrained overall, with many poor families left outside the program. For all members of a single-parent family of three to receive Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 46.7 percent of the poverty line. Single individuals and childless couples who are neither elderly nor disabled are especially unlikely to receive health care coverage. In a positive step, Tennessee has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

Elderly and disabled people who are poor may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that elderly and disabled poor may be brought closer to or above the poverty line. Tennessee is not one of these states.

Unemployment insurance coverage is limited. In 1986, just 24.7 percent of unemployed Tennesseeans -- one in four -- received unemployment insurance in an average month, one of the lowest state unemployment insurance coverage rates in the nation. The combination of restrictive unemployment insurance coverage, the lack of AFDC-UP for two-parent families, and the absence of a state general assistance program for single individuals and childless couples means that many unemployed workers and their families are not eligible for any cash assistance, unless they are single parents or elderly or disabled people.

While Tennessee provides limited aid to its poor citizens, it does impose significant tax burdens on them. Tennessee has no state income tax (income taxes are generally less burdensome to the poor than other taxes), and the state relies heavily on sales taxes, which tend to be highly regressive. Tennessee is one of 17 states with a sales tax that does not exempt food from the tax. The state also lacks a circuitbreaker program to ease the weight of property taxes on low-income households; 31 states have such a program.

These and other aspects of the Tennessee safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Tennessee well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Tennessee does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Tennessee:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $159 per month, or $1,908 per year. This AFDC benefit equals 21.0 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 49th out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month.

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

At most, AFDC and food stamp benefits combined can equal 51.2 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 45.0 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)
- For a single-parent family of *four* without any income, maximum AFDC benefits are $2,328 per year, which equals 20.0 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).
- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 48.5 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Tennessee who incurs deductible child care costs of $106 a month,[4] earnings of $554 a month -- equal to 73.3 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs.

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[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[4] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

In Tennessee:

- For a single mother with two children who does *not* get a child care deduction, earnings of $448 a month -- equal to 59.3 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Tennessee does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Tennessee does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Tennessee, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. In some states, county general assistance programs do offer aid to two-parent families, but two-parent families are typically excluded from such aid.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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[5] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Tennessee:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]
- Tennessee does *not* supplement the basic federal SSI grant.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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[6] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[7] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Tennessee:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards. Some counties provide little or no assistance.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Tennessee does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Tennessee does *not* provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since two-parent families are not eligible for AFDC benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Tennessee extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Tennessee, a family of three with a monthly countable income of less than $217, after deducting medical expenses, is eligible for Medicaid.[8]

- However, Tennessee is one of seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $353 per month or 46.7 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income far below the state's AFDC income eligibility limit.

Another key option is the SOBRA[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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[8] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[9] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Tennessee has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Tennessee covered 20 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Tennessee included optometry and dental services.

The restrictiveness of the Medicaid program in Tennessee is especially noteworthy because in 1985 the state infant mortality rate was 11.4 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Tennessee, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

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[10] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Tennessee has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $150, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 33.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Tennessee has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Tennessee does not pay for services such as diagnostic, screening, and preventive services other than those specifically provided for through the Medicaid plan.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Tennessee.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Tennessee:

- 24.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Tennessee ranked 41st among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 45.3 percent of the unemployed in Tennessee received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Tennessee:

- Average unemployment insurance benefits equaled 28.2 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Tennessee is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of a state general cash assistance program (there are county-based general cash assistance programs). As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Tennessee, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	2.1%
Corporation net income	8.2
General sales	57.0
Selective sales	19.9
License	10.2
Other taxes	2.6

As the table indicates, Tennessee collects just 10.3 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax. Tennessee is one of only 10 states without a broad-based individual income tax (the 2.1 percent in "individual income" taxes are taxes on dividends and interest income). The lack of a broad-based income tax usually increases the reliance of a state tax system on regressive taxes and consequently increases overall tax burdens on low-income people.

For poor households, sales tax burdens are often significant. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Tennessee:

- The sales tax rate was 5.5 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.
- Some 57.0 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Tennessee:

- Food was *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Tennessee does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Tennessee does not have a circuitbreaker program, but low-income elderly and disabled homeowners are eligible for a state-financed homestead exemption.[11]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 91,364 renter households in Tennessee received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Tennessee totalled 259,260. (1983 is the latest year for which these data are now available.)

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[11] Circuitbreaker information is from 1985.

- If all those who received rental assistance were "very low-income" renters, then no more than 35.2 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 35.2 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Tennessee:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 48.4 percent. This represented a shortage of 47,240 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

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[12] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Tennessee's share of the federal LIHEAP appropriation equaled 14.1 percent of the estimated total heating and cooling costs[13] of all low-income households in Tennessee which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Tennessee, an estimated 47.1 percent of those who are eligible are served under the federally-funded WIC program.[14]

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Tennessee does *not* supplement the WIC program.

WIC participation in Tennessee is expected to increase significantly in the coming year, due in substantial part to institution by the state of a new system for purchasing the infant formula provided through the WIC program. Tennessee was the first state in the nation to institute the new system, which took effect in 1987 and is now producing sizable savings that are being used to reach additional women, infants, and children.

Tennessee is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. CSFP serves 23,828 participants in Tennessee. The WIC participation rate mentioned above accounts for these CSFP participants.[15]

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the number of WIC eligibles in the nation are for 1984.

15. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

R3834-1.47

TEXAS

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Texas Highlights

Estimated poverty rate, 1985	15.9%
Estimated number of poor, 1985	2,605,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	24.3%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	54.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	35.3%
Percentage of unemployed receiving unemployment insurance, 1986	23.0%
Percentage of state tax revenue from individual and corporate income tax, 1986	0.0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program		
Pregnant women and children	yes	36
Elderly and disabled	no	34
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

TEXAS

An estimated 15.9 percent of the population of Texas, or 2,605,000 people, lived in poverty in 1985.[1] The Texas poverty rate was almost two percentage points above the national poverty rate of 14.0 percent. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Texas, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them close to the poverty line.

The safety net for poor people in Texas is among the weakest in the nation. Texas' level of AFDC cash assistance to single-parent families ranks 48th among all states and the District of Columbia. A mother and two children with no other income received a maximum AFDC benefit of $184 a month in 1987, which equalled less than one-fourth of the poverty line. Since 1970, maximum AFDC benefits have declined 57.7 percent in Texas after adjusting for inflation, the steepest decline of any state in the nation. Texas also has a large negative disparity between its AFDC benefit ranking and its per capita income ranking --

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Texas ranks 32nd in per capita income while it ranks close to last in AFDC benefit levels.[2]

In addition, Texas has elected not to provide AFDC benefits to two-parent families with children who are poor, unlike 28 other states that provide this coverage. Texas also lacks a general cash assistance program for poor single individuals and childless couples who are not elderly or disabled.

Medicaid eligibility is tightly constrained as well, with many poor families left out of the program. For all members of a single-parent family of three to receive Medicaid, the family must have income (after medical expenses and some limited deductions) that is less than 35.3 percent of the poverty line.

Elderly and disabled people who are poor may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that the elderly and disabled poor may be brought closer to or above the poverty line. Texas is not one of these states. Nor has Texas adopted any of the state Medicaid options that would extend coverage for elderly and disabled poor people beyond what is required by federal law.

Texas also has a restrictive unemployment insurance program. In 1986, 23 percent of unemployed Texans -- fewer than one in four -- received unemployment insurance benefits in an average month. This tied for the fifth lowest unemployment insurance coverage rate in the nation.

For unemployed two-parent families and their children who do not qualify for or have exhausted their unemployment benefits (as well as for jobless single individuals and childless couples in this situation who are not elderly or disabled), little or no safety net exists. They are ineligible for virtually any cash assistance, regardless of how poor they may be. In many cases, they are ineligible for health care coverage, as well.

While Texas provides limited aid to its poor residents, it does impose significant tax burdens on them. Texas has no personal or corporate income taxes, which generally absorb little income from the poor; instead, Texas relies on sales taxes that consume a substantial portion of the income of the poor. The state also lacks a circuitbreaker program to ease the property tax burden on low-income households. Some 31 other states have circuitbreaker programs.

These and other aspects of the Texas safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

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[2] The per capita income ranking used here is based on 1987 data. The Center's companion report, *Holes in the Safety Nets -- National Overview*, used 1986 data, the latest available at the time it was prepared.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Texas well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Texas does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Texas:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $184 per month, or $2,208 per year. This AFDC benefit equals 24.3 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 48th out of all states.[3]

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[3] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 54.5 percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal less than one-third (32.1 percent) of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $2,652 per year, which equals 22.8 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 57.7 percent -- well over half -- from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Texas who incurs deductible child care costs of $106 a month,[5] earnings of just $385 a month -- equal to 50.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

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[4] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[5] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Texas:

- For a single mother with two children who does *not* get a child care deduction, earnings of $279 a month -- equal to 36.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Texas does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Texas does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Texas, two-parent families with an unemployed primary earner are ineligible for ongoing cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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[6] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and asset eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Texas:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.
- Texas does *not* supplement the basic federal SSI grant.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

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[7] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[8] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Texas:

- There are emergency assistance programs in some major metropolitan areas, but there is no state general assistance program. Nondisabled, nonelderly singles and childless couples who are poor are left without *any* ongoing cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Low-income single individuals and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Texas does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Texas does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Texas extends Medicaid coverage to all income-eligible children under age 18.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Texas, a family of three with a monthly countable income of less than $267, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 35.3 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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[9] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[10] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Texas does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Texas covered 15 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Services *not* covered by the Medicaid program in Texas included dental services and occupational therapy.

Elderly and Disabled

In most states, including Texas, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Texas does *not* have a Medically Needy program for the low-income elderly and disabled. (Texas is one of two states with a Medically Needy program for families with children that has not extended this coverage to the elderly and disabled.)

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[11] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Texas has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Texas does not pay for items and services such as dentures and services for those aged 65 and above in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Texas.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial program discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Texas:

- Only 23.0 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Texas ranked 46th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Texas:

- Average unemployment insurance benefits equaled 42.2 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Texas is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Texas, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0.0%
Corporation net income	0.0
General sales	38.9
Selective sales	30.0
License	16.0
Other taxes	15.0

As the table indicates, Texas collects none of its revenue through state individual and corporate income taxes. Texas is one of only 10 states without a broad-based individual income tax. This usually increases the reliance of a state tax system on regressive taxes and increases overall tax burdens on low-income people.

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Texas:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.
- Some 38.9 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Texas:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Texas does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Texas does *not* have a circuitbreaker program.[12]

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[12] Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 196,290 renter households in Texas received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in Texas totalled 766,090. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 25.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 25.6 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Texas:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 75.9 percent. This represented a shortage of 216,333 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

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[13] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

- In fiscal year 1987, Texas' share of the federal LIHEAP appropriation equaled only 8.0 percent of the estimated total heating and cooling costs[14] of all low-income households in Texas which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Texas, an estimated 38.5 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Texas supplements the WIC program, bringing the overall percentage of WIC eligibles who are served to 41.2 percent.

Texas also plans to institute a new system on May 1, 1988 for purchasing the infant formula served through its WIC program. The new procurement method is expected to save at least $86 million between May 1, 1988 and September 30, 1990, thereby allowing substantial expansion of the Texas WIC program. In this area, Texas is one of the leaders in the nation.

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[14] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

[15] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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UTAH

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Utah Highlights

Estimated poverty rate, 1985	11.1%
Estimated number of poor, 1985	183,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	49.7%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	75.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	91.7%
Percentage of unemployed receiving unemployment insurance, 1986	31.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	38.0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no**	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**Utah's Emergency Work Program does assist some poor two-parent families with an unemployed worker.

UTAH

An estimated 11.1 percent of the population of Utah, or 183,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Utah, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them out of poverty.

The safety net for poor people in Utah contains some substantial holes. The maximum AFDC benefit for a mother and two children equals about half (49.7 percent) of the poverty line. AFDC benefits for a family of four without other income have declined 29.1 percent since 1970, after adjusting for inflation.

Utah does not provide regular AFDC benefits to poor two-parent families. While its Emergency Work Program does provide benefits to some two-parent families, eligibility for such benefits is limited to six months in a 12-month period. The state also lacks an AFDC emergency assistance program, which is used to provide emergency aid to some homeless families in a number of states, and a general cash assistance program for poor single individuals and childless couples who are not elderly or disabled. As a result, most poor two-parent families, single individuals, and childless couples receive either limited cash assistance or none at all. Many such households also are ineligible for health care coverage.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

The lack of cash assistance is made more serious by the limits of unemployment insurance coverage in Utah. In 1986, fewer than one in every three (31.7 percent) unemployed workers received unemployment insurance in Utah in an average month.

Insufficient low-rent housing poses another serious problem. In 1985, the number of very low-income renter households was nearly double the number of very low-rent units. While Utah has a circuitbreaker program to ease the burden of property taxes on low-income households, eligibility is limited to the elderly.

In a recent positive reform, Utah significantly increased the threshold at which households first pay state income taxes, thereby removing many working poor households from the state income tax rolls.

These and other aspects of the Utah safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Utah below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Utah does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Utah:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $376 per month, or $4,512 per year. This AFDC benefit equals 49.7 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 20th out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $195 per month. At most, AFDC and food stamp benefits combined can equal 75.5 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)
- For a family of three without any income, AFDC benefit payments equal only 54.3 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Utah last raised its need standard in 1985.
- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,268 per year, which equals 45.3 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 29.1 percent from 1970 to 1987, after adjusting for inflation. AFDC benefits in Utah were last raised in 1985.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Utah does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[4] Some 28 states have such a program (known as "AFDC-UP").

- Utah does *not* have an AFDC-UP program.

Utah's Emergency Work Program (EWP) does assist some poor two-parent families with unemployed workers. EWP differs from AFDC-UP in significant respects. For example, EWP requires beneficiaries to perform at least 40 hours a week of community work, job search, and skill training. EWP also limits program participation to six months out of any 12 month period.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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[4] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[5] Moreover, even though Utah supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In Utah:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[6]
- Utah supplements the basic federal SSI grant, but by minimal amounts -- $9 a month for an individual and $17 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 76.8 percent of the poverty line for an individual and 91.9 percent for a couple.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $40 per month for an individual and $58 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 85.5 percent of the poverty line for

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[5] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[6] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

individuals and 102.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Utah:

- There is a state general assistance program but it serves only disabled people. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).
- For disabled people without any income, the monthly benefits are $217 for one person or $301 for a two-person household, which are equal to 45.0 percent and 48.8 percent of the respective poverty lines for these households.[7]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

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[7] In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Utah does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Utah does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements. However, participants in the state's Emergency Work Program are eligible for Medicaid.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Utah extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Utah, a family of three with a monthly countable income of less than $501, after deducting medical expenses, is eligible for Medicaid.[8]

- However, Utah is one of seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $693 per month or 91.7 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income substantially below the state's AFDC income eligibility limit.

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[8] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was effect in 25 states.

- Utah does not have a SOBRA program, leaving some pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Utah covered 26 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Utah included occupational therapy and chiropractor services.

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[9] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[10] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Utah is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Utah has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $289, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 63.6 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Utah has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Utah.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Utah:

- 31.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Utah ranked 28th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 43.8 percent of the unemployed in Utah received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Utah:

- Average unemployment insurance benefits equaled 46.1 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Utah is of particular significance for poor individuals and families given the limits to the Emergency Work Program and the limits to the state's general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Utah, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	33.1%
Corporation net income	4.9
General sales	40.9
Selective sales	13.3
License	4.2
Other taxes	3.6

As the table indicates, Utah collects 38.0 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Utah:

- A two-parent family of four will begin to owe income taxes when its income reaches $10,900, which is 89.1 percent of the estimated 1988 poverty line. This reflects a very substantial increase from the 1986 threshold of $4,300.

For poor households in most states, sales tax burdens are significant. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Utah:

- The sales tax rate was 5.09 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- Some 40.9 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Utah:

- Food was *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.). Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Utah does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Utah has a circuitbreaker program.[11]
- Eligibility for the circuitbreaker is limited to low-income elderly homeowners and renters; thus it fails to assist the nonelderly.
- The average annual benefit from the circuitbreaker in Utah was $113 in 1985, and benefits could be extended to elderly households with incomes up to $10,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

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[11] Circuitbreaker information is from 1985.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 10,039 renter households in Utah received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in Utah totalled 57,390. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 17.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 17.5 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12]

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[12] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median

In Utah:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 99.3 percent. This represented a shortage of 18,657 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

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renter household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

- In fiscal year 1987, Utah's share of the federal LIHEAP appropriation equaled 31.0 percent of the estimated total heating and cooling costs[13] of all low-income households in Utah which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federa funding levels are sufficient to reach fewer than half of those eligible nationwide many eligible women and children are left out of the program.

- In Utah, only an estimated 35.7 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Utah does *not* supplement the WIC program.

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[13] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

[14] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasin the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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VERMONT

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Vermont Highlights

Estimated poverty rate, 1985	9.2%
Estimated number of poor, 1985	49,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	79.8%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	96.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	99.2%
Percentage of unemployed receiving unemployment insurance, 1986	38.1%
Percentage of state tax revenue from individual and corporate income tax, 1986	38.2%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no**	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**The high income eligibility threshold of Vermont's Medically Needy program makes this decision virtually irrelevant.

VERMONT

An estimated 9.2 percent of the population of Vermont, or 49,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Vermont receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children.

Although Vermont has a stronger system of government assistance to the poor than most other states, Vermont's safety net still has sizable gaps. For example, although most poor families with children and elderly and disabled people are eligible for Medicaid, Vermont offers only 18 out of 32 optional Medicaid services. Neighboring Massachusetts provides 30 such services. Vermont does not provide for dental services, among others.

Poor single individuals and childless couples who are neither elderly nor disabled are ineligible for cash assistance other than on an emergency basis. They may not receive ongoing assistance. These types of households are also unlikely to receive health care coverage.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Low-income Vermont households are confronted with a serious shortage of low-rent housing. In 1985, the number of very low-income renter households in the state was nearly double the number of very low-rent units.

Finally, in 1986, fewer than two of every five (38.1 percent) of unemployed workers in Vermont received unemployment insurance in an average month.

These and other aspects of the Vermont safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. When combined with food stamps, this assistance leaves families in Vermont just below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Vermont does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Vermont:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $603 per month, or $7,236 per year. This AFDC benefit equals 79.8 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks third out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $127 per month. At most, AFDC and food stamp benefits combined can equal 96.5 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 67.8 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $8,112 per year, which equals 69.8 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 23.8 percent from 1970 to 1987, after adjusting for inflation.

Some poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she may lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Vermont who incurs deductible child care costs of $106 a month,[4] earnings of $804 a month -- equal to 106.3 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Vermont:

- For a single mother with two children who does *not* get a child care deduction, earnings of $698 a month -- equal to 92.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Vermont provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Vermont has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

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[4] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

[5] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

- In 1986, only 7.3 percent of the AFDC caseload in Vermont consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Vermont:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- Vermont supplements the basic federal SSI grant by $57 a month for an individual and $104 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 87.3 percent of the poverty line for an individual and 107.1 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 14.6 percent for an individual from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $25 per month for an individual and $32 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 92.9 percent of the poverty line for individuals and 112.7 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Vermont:

- There is a state emergency assistance program, but it serves only victims of catastrophic events such as floods. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any ongoing cash assistance (unless they are receiving unemployment insurance).

- There is no standard benefit under the emergency assistance program. The payment is made to fulfill the emergency need, except that the maximum rent allowance is equal to the AFDC shelter standard.

- Benefits are provided only on a one-time emergency basis.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Vermont extends Medicaid coverage to all income-eligible children under age 21.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Vermont, a family of three with a monthly countable income of less than $750, after deducting medical expenses, is eligible for Medicaid.[8] This income eligibility limit is equal to 99.2 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Vermont has a SOBRA program with an income eligibility limit equal to the poverty line.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

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[8] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[9] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[10] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- In 1986, Vermont covered 18 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Vermont included dental services and diagnostic, screening, and preventive services other than those specifically covered under the Medicaid plan.

Elderly and Disabled

In most states, including Vermont, all of the elderly and disabled who receive SSI payments are eligible for Medicaid.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Vermont has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $600, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 132.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Vermont has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option, although the high income eligibility level of its Medically Needy program may make the SOBRA option irrelevant.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Vermont does not pay for items and services such as dentures and certain services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Vermont.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Vermont:

- 38.1 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Vermont ranked 10th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 53.0 percent of the unemployed in Vermont received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Vermont:

- Average unemployment insurance benefits equaled 38.7 percent of the average weekly wages of workers covered by unemployment

> insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Vermont, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	32.1%
Corporation net income	6.1
General sales	19.7
Selective sales	30.9
License	8.6
Other taxes	2.5

As the table indicates, Vermont collects just 38.2 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Vermont:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty line).

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Vermont:

- The sales tax rate was 4.0 percent in 1987.
- Some 19.7 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Vermont:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Vermont has a sales tax credit for low-income households.

In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government. It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Vermont has a circuitbreaker program.[11]
- Eligibility for the circuitbreaker is extended to homeowners and renters of all ages.
- The average annual benefit from the circuitbreaker in Vermont was $259 in 1985, and benefits could be extended to households with incomes up to $32,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive

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[11] Circuitbreaker information is from 1985.

the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Vermont's share of the federal LIHEAP appropriation equaled 33.5 percent of the estimated total heating and cooling costs[13] of all low-income households in Vermont which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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[13] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Vermont, an estimated 81.8 percent of those who are eligible are served under the federally-funded WIC program.[14] This is the highest participation rate in the nation.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Vermont does *not* supplement the WIC program.

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[14] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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VIRGINIA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Virginia Highlights

Estimated poverty rate, 1985	10.0%
Estimated number of poor, 1985	570,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	46.8%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	73.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	47.4%
Percentage of unemployed receiving unemployment insurance, 1986	16.6%
Percentage of state tax revenue from individual and corporate income tax, 1986	50.7%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no**	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	***	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

**Virginia does have a demonstration program providing cash benefits to some poor two-parent families (the AFDC-UP target group).

***Virginia recently adopted this option for pregnant women and children up to age one, with the program scheduled to take effect in July 1988.

VIRGINIA

An estimated 10 percent of the population of Virginia, or 570,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Virginia, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are likely to receive a level of aid that leaves them well below the poverty line.

Although Virginia has recently taken several steps to strengthen its assistance to poor families, its safety net for poor people remains weaker in significant areas than that of most other states. The maximum AFDC benefit level for a family of three with no other income equals less than half (46.8 percent) of the poverty line. From 1970 to 1987, AFDC benefits for a family without other income fell 46.2 percent after adjusting for inflation, the ninth steepest decline of any state. Virginia has a greater disparity than most other states between its state AFDC benefit ranking and its per capita income ranking;

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

the state stands 10th in the nation in per capita income,[2] but 27th in AFDC benefit levels.

In addition, Virginia ranks last in the nation in the proportion of its AFDC households that receive food stamps. Only 58.9 percent of AFDC households in the state receive food stamps, compared to a national average participation rate of 83.4 percent.

Virginia has no state general cash assistance program for poor single individuals and childless couples who are neither elderly nor disabled, leaving it up to each county to determine the nature of any such assistance. The state did recently adopt a demonstration program that will provide cash benefits to some poor two-parent families, but the program will not operate statewide and will likely offer more limited benefits than are offered in the 28 states (including North and South Carolina) with AFDC-UP programs.

Elderly and disabled people who are poor may receive the basic federal SSI grant, but this leaves them below the poverty line. While twenty-seven states supplement the basic SSI grant so that the elderly and disabled poor may be brought closer to or above the poverty line, Virginia is not one of these states.

Virginia has a particularly restrictive unemployment insurance program. In 1986, some 16.6 percent of unemployed Virginians -- just one in six -- received unemployment insurance in an average month. This represented the lowest unemployment insurance coverage rate among any state in the nation.

Many poor families are also left out of Medicaid coverage. For all members of a three-person family to be eligible, the family must have income (after medical expenses and some limited deductions) of less than 47.4 percent of the poverty line. In a positive move, the state acted in the spring of 1988 to extend Medicaid coverage to pregnant women and children up to one year old living in families with incomes of up to 100 percent of the poverty line.

Another area where Virginia recently took positive steps was in its 1987 reform of the state income tax. These reforms reduced income tax burdens on low-income families. Nevertheless, Virginia still imposes income taxes on working poor families who fall several thousand dollars below the poverty line; only seven states impose income taxes on families with lower incomes than does Virginia. In addition, Virginia is one of 11 states that neither exempt food from the sales tax nor provide a low-income sales tax rebate, and one of 20 states that lack a property tax circuitbreaker program to reduce property tax burdens on low income households.

Finally, Virginia faces a severe shortage of affordable rental housing for low income households. In 1985, the number of very-low income renter households was, under conservative estimates, nearly double the number of very low-rent units in the state.

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[2] The per capita income ranking used here is based on 1987 data. The Center's companion report, Holes in the Safety Nets -- National Overview, used 1986 data, the latest available at the time it was prepared.

These and other aspects of the Virginia safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Virginia well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Virginia does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Virginia:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $354 per month, or $4,248 per year.[3] This AFDC benefit equals 46.8 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

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[3] Data here are from the area with the highest of the three area benefit levels.

- This AFDC benefit level for a family of three ranks 27th out of all states.[4]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $202 per month. At most, AFDC and food stamp benefits combined can equal 73.5 percent of the poverty line.[5]

- Nearly one of every two AFDC households in Virginia fails to receive food stamps, according to a recent study by the U.S. General Accounting Office. The proportion of AFDC households receiving food stamps is far lower in Virginia than in any other state in the nation. In some parts of the state -- such as Lynchburg, Henrico County, and Richmond -- only 28 to about 40 percent of AFDC families receive food stamps.[6]

- For a family of three without any income, AFDC benefit payments equal 90.1 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Virginia last raised its need standard in 1985.

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[4] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[5] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[6] The General Accounting Office reported that 58.9 percent of AFDC households in Virginia received food stamps in fiscal year 1986, while 41.1 percent (or 24,043 households) did not. Nationwide, some 83.4 percent of AFDC households received food stamps.

Households in which all members are covered by an AFDC grant are automatically eligible for food stamps, and nationwide some 93.7 percent of these households do receive food stamps. In Virginia, 75.3 percent of these households received food stamps, the second lowest participation rate for these households for any state.

Among households consisting both of AFDC recipients and of other persons residing with them, 48.6 percent received food stamps in Virginia, the third lowest rate of any state and well below the national average rate of 66.1 percent.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,920 per year, which equals 42.3 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 46.2 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Virginia who incurs deductible child care costs of $106 a month,[7] earnings of $555 a month -- equal to 73.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Virginia:

- For a single mother with two children who does *not* get a child care deduction, earnings of $449 a month -- equal to 59.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Virginia provides AFDC emergency assistance.

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[7] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[8] Some 28 states have such a program (known as "AFDC-UP").

- Virginia does *not* have an AFDC-UP program, but it has adopted a demonstration program that will provide AFDC benefits to some two-parent families with incomes below the poverty line. Program guidelines are currently being drawn up, and eligibility criteria are likely to be more stringent than under the AFDC-UP program. The demonstration will only be implemented in parts of the state and is expected to begin in July 1988.

Given the limits to this demonstration in Virginia, along with the limits to the state unemployment insurance and general assistance programs, many two-parent families with incomes below the poverty line do not and will not receive cash assistance.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[9]

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[8] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

In Virginia:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[10] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.
- Virginia does *not* supplement the basic federal SSI grant.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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[9] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[10] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Virginia:

- There are very broad state guidelines for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards. Some counties provide little or no assistance.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC are automatically entitled to Medicaid. Even though Virginia does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Virginia does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements. (Two-parent families who qualify for cash benefits under the demonstration program described above are not eligible for Medicaid coverage.)

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Virginia extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Virginia, a family of three with a monthly countable income of less than $358, after deducting medical expenses, is eligible for Medicaid.[11] This income eligibility limit is equal to 47.4 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[12] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[13]

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[11] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[12] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[13] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Virginia recently adopted this option, with the program scheduled to take effect in July 1988. However, instead of covering children up to their second birthday as is now allowed by federal law, the Virginia program only covers children up to their first birthday. All but three of the other states that have adopted this option extend coverage to children up to age two.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Virginia covered 15 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important items and services *not* covered by the Medicaid program in Virginia included eyeglasses, dental services, and rehabilitative services. (For households that received Medicaid coverage under the Medically Needy program, service coverage was even more limited, with only 11 options covered.)

The provisions of the Medicaid program in Virginia are especially noteworthy because in 1985 the state infant mortality rate was 11.5 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria

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birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Virginia is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Virginia has a Medically Needy program for the low-income elderly and disabled. The income eligibility limit, however, was far below the poverty line. An elderly or disabled person with a monthly income of $217, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 47.7 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Virginia has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Virginia does not pay for items such as dentures and prosthetic devices.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Virginia.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Virginia:

- 16.6 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Virginia ranked 51st, or last in the nation, among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 23.7 percent of the unemployed in Virginia received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Virginia:

- Average unemployment insurance benefits equaled 36.9 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The exceptionally low level of unemployment insurance coverage in Virginia is of particular significance for poor individuals and families given the limits to its demonstration cash assistance program for two-parent families and the absence of a state general cash assistance program (there are county-based general cash assistance programs). As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Virginia, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	44.9%
Corporation net income	5.8
General sales	21.0
Selective sales	19.4
License	6.3
Other taxes	2.5

As the table indicates, Virginia collects 50.7 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

Although in 1987 Virginia amended its tax code in a manner that reduced the burden on working poor families, the state income tax still takes a higher proportion of the income of poor families than in most states.

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $93. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.
- A two-parent family of four will begin to owe income taxes when its income reaches $5,900, which is 48.2 percent of the estimated 1988 poverty line and the eighth lowest state income tax threshold in the nation. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Virginia:

- The sales tax rate was 3.5 percent in 1987.
- Some 21.0 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Virginia:

- Food was *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Virginia does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Virginia does *not* have a circuitbreaker program.[14]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

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[14] Circuitbreaker information is from 1985.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 79,566 renter households in Virginia received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in Virginia totalled 262,530. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 30.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 30.3 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[15]

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[15] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

In Virginia:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 88.6 percent. This represented a shortage of 85,892 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Virginia's share of the federal LIHEAP appropriation equaled 16.4 percent of the estimated total heating and cooling costs[16] of all low-income households in Virginia which were potentially eligible for assistance under federal guidelines.

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16. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Virginia, only an estimated 43.3 percent of those who are eligible are served under the federally-funded WIC program.[17]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Virginia does not supplement the WIC program.

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[17] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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WASHINGTON

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Washington Highlights

Estimated poverty rate, 1985	12.0%
Estimated number of poor, 1985	529,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	65.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	88.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	76.1%
Percentage of unemployed receiving unemployment insurance, 1986	37.0%
Percentage of state tax revenue from individual and corporate income tax, 1986	0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

WASHINGTON

An estimated 12.0 percent of the population of Washington, or 529,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Washington receive government assistance. But their eligibility and the level of assistance they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of benefits that is not sufficient to lift them out of poverty.

Although Washington has adopted many of the program options to aid the poor permitted under federal law and is about to implement its new Family Independence Program, sizable holes in its safety net remain. The maximum AFDC benefit for a mother and two children with no other income equaled 65 percent of the poverty line in 1987. When food stamps are added in, the combined AFDC/food stamp benefit still fell more than $1,000 short of the poverty line. The FIP program will raise benefits for families with no other income by no more than five percent. Yet from 1970 to 1987, AFDC benefits for a family of four without other income fell 34.7 percent, after adjusting for inflation.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

The elderly and disabled poor can receive the basic federal SSI benefit plus a state SSI supplement, but the supplement is small and leaves SSI recipients below the poverty line. In 1987, the SSI supplement in Washington was $28 a month for a poor elderly individual. Of the 26 other states providing SSI supplements, 18 provided a more generous supplement level.

The safety net is weakest for poor single individuals and childless couples who are not elderly or disabled. There is no general cash assistance program for such people (general assistance is limited to disabled people). As a result, they are often ineligible for any form of cash assistance. They also are generally ineligible for noncatastrophic health care coverage. Some of these households may receive unemployment insurance benefits. However, most of the unemployed do not draw benefits. In 1986, some 37 percent of the unemployed workers in the state received unemployment benefits in an average month.

One of the most serious problems facing low-income households in Washington is a shortage of low-rent housing. In 1985, the number of very low-income renter households in the state was more than double the number of very low-rent housing units.

Finally, Washington has a regressive tax system that imposes significant tax burdens on poor households. The state has no individual or corporate income tax, two common methods of taxation that generally are not very burdensome to the poor. The state's sales tax rate, at 6.5 percent, is one of the highest in the nation. The state also lacks a circuitbreaker program to relieve the burden of local property taxes on low-income households (31 other states have such a program).

These and other aspects of the Washington safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

AFDC/FIP

The following information describes the operation of the current AFDC program in Washington as well as the changes that will occur when the state implements its Family Independence Program (FIP).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Washington below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Washington does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Washington in 1987:

- A single parent with two children, and with no income, was eligible for a maximum AFDC cash benefit of $492 per month, or $5,904 per year. This AFDC benefit equaled 65.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranked ninth out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equaled $174 per month. At most, AFDC and food stamp benefits combined could equal 88.1

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equaled only 58.9 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)
- For a single-parent family of *four* without any income, maximum AFDC benefits were $6,936 per year, which equaled 59.6 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).
- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 34.7 percent from 1970 to 1987, after adjusting for inflation.

The Family Independence Program (FIP) is a five-year demonstration program that substantially revises the traditional AFDC program to link it more closely with training programs and employment. FIP will be phased in over a three-year period starting on July 1, 1988.

Unlike AFDC, FIP will provide recipients with financial incentives to work or to participate in employment, education or training programs. Those who work or participate in FIP education or training programs will receive larger cash benefits than under current AFDC guidelines. The largest increase in benefits will be provided to families with a full-time worker, with smaller increases provided to part-time workers. Unemployed recipients who participate in education or training activities will receive five percent incentive bonuses.

FIP will also provide transitional child care and Medicaid benefits for 12 months after a family's cash benefits end due to a family member finding a job that pays enough to make the family ineligible for further cash assistance. The Washington Department of Social and Health Services may charge fees to such families for part of the cost of these transitional child care and Medicaid benefits, with the fee charged the family based in part on the family's income. In addition, under FIP, food stamp benefits will be converted to cash and provided as part of the cash assistance benefit.

While cash benefit levels for working families or for families participating in training programs will be increased under FIP, cash benefit levels for poor families without a worker or a member participating in a training program will not be affected by FIP.

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[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

AFDC Emergency Assistance

Some 26 states provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states providing emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Washington provides AFDC emergency assistance, but on a very restrictive basis.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[4] Some 28 states have such a program (known as "AFDC-UP").

- Washington has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 10.5 percent of the AFDC caseload in Washington consisted of two-parent families.

Two-parent families will also be eligible for cash benefits under FIP and, if they have earnings, their benefits will be higher than under current program rules. However, the 100-hour work rule will be continued under FIP; thus a two-parent family with a full-time worker will still be excluded from benefits.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

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[4] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 – or 79 cents per person per meal. As noted, food stamp benefits will be "cashed-out" under FIP.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[5] Moreover, even though Washington supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty, in part because the value of the supplement has fallen significantly since 1974.

In Washington:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[6]

- Washington supplements the basic federal SSI grant by $28 a month for an individual and $22 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 81.0

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[5] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[6] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

percent of the poverty line for an individual and 92.8 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 59.5 percent for an individual and 71.0 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $34 per month for an individual and $57 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 88.4 percent of the poverty line for individuals and 102.7 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Washington:

- There is a state general assistance program, but it serves only disabled people[7] and women in the first or second trimesters of pregnancy who meet AFDC income and resource eligibility criteria.

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[7] The Washington state legislature enacted in 1987, and amended in 1988, the Alcoholism and Drug Addiction Treatment Support Act (ADATSA). Under ADATSA, people who are disabled solely due to alcoholism or drug addiction are excluded from the general assistance program and instead are provided a limited package of treatment, services and some financial assistance. For many persons disabled due to substance abuse, ADATSA only provides shelter and meals in a dormitory-style facility.

Thus many singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a categorically-eligible household without any income, the monthly benefits are $314 for one person or $397 for a two-person household, which are equal to 65.1 percent and 64.3 percent of the respective poverty lines for these households.
- Benefits, however, are provided only on a temporary basis.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid (as will FIP recipients); children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, some poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers.[8] Low-wage jobs often provide minimal or no health benefits.

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[8] Washington recently adopted a pilot program that will sell subsidized health insurance to certain low-income households in selected geographic areas.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. FIP recipients will also be automatically entitled to Medicaid; in addition, FIP will provide transitional Medicaid benefits on a sliding fee basis for 12 months after termination of cash assistance due to increased earnings.

Other poor children and pregnant women from families that do not receive AFDC or FIP benefits may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many two-parent families do not receive AFDC benefits or will be ineligible for FIP benefits. (For example, two-parent families with full-time workers are ineligible for cash benefits, as noted above).

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Washington extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in foster care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An important state decision is whether it adopts a **Medically Needy** program. States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for cash assistance.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Washington, a family of three with a monthly countable income of less than $575, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 76.1 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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[9] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[10] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[11] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Washington has a SOBRA program, but with an income eligibility limit equal to 90 percent of the federal poverty level, thus leaving some pregnant women and young children in poverty without Medicaid benefits. Nearly every other state with a SOBRA program has set its income eligibility limit equal to the poverty line.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Washington covered 23 out of 32 possible optional Medicaid services.[12] Services *not* covered by the Medicaid program in Washington included occupational therapy.

The provisions of the Medicaid program in Washington are especially noteworthy because in 1985 the state infant mortality rate was 10.7 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Washington, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Washington has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $368, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 81.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

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[12] For households that received Medicaid coverage under the Medically Needy option, service coverage was more limited, with only 20 options covered.

- Washington has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Washington does not pay for personal care services.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Washington.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Washington:

- Only 37.0 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Washington ranked 16th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Washington:

- Average unemployment insurance benefits equaled 37.6 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Washington, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0%
Corporation net income	0
General sales	59.6
Selective sales	16.4
License	5.1
Other taxes	18.9

Washington is one of only 10 states without a broad-based individual income tax. It is one of only four states without a corporate income tax. The lack of income taxes makes a state tax system significantly more regressive and increases overall tax burdens on low-income people.

For poor households in most states, sales tax burdens can be quite significant. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Washington:

- The sales tax rate was 6.5 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.
- Nearly three-fifths, or 59.6 percent, of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Washington:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Washington does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Washington does *not* have a circuitbreaker program.[13]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

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[13] Circuitbreaker information is from 1985.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 57,265 renter households in Washington received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number of "very low-income" renter households residing in Washington totalled 224,990. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 25.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 25.5 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Washington:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 116.9 percent. This represented a shortage of 81,271 very low-rent units.

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[14] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Washington's share of the federal LIHEAP appropriation equaled 33.5 percent of the estimated total heating and cooling costs[15] of all low-income households in Washington which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

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[15] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Washington, only an estimated 34.4 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Washington supplements the WIC program, but the supplemental funds can be used only for administrative costs.

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[16] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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WYOMING

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Wyoming Highlights

Estimated poverty rate, 1985	12.0%
Estimated number of poor, 1985	61,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	47.6%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	74.0%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	47.6%
Percentage of unemployed receiving unemployment insurance, 1986	34.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

WYOMING

An estimated 12.0 percent of the population of Wyoming, or 61,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For the poor in Wyoming, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them out of poverty.

The safety net for poor people in Wyoming is weaker than in many other states and contains substantial holes. The maximum AFDC benefit for a mother and two children with no other income equals less than half (47.6 percent) of the poverty line. If food stamps are counted as income and added in, the maximum combined AFDC and food stamp benefit falls below three-fourths of the poverty line. AFDC benefits are low in Wyoming, in part because they have declined 41.2 percent since 1970, after adjusting for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, Wyoming has chosen not to provide AFDC to poor two-parent families with children, unlike 28 other states that provide these benefits.

Wyoming also has a restrictive Medicaid program that does not provide health care coverage to many of the state's poor families with children. The state is one of seven in the nation that has not adopted any of four key Medicaid options that provide health care coverage to members of poor families with children that do not receive AFDC benefits. For example, the state has not extended Medicaid coverage to pregnant women and infants with incomes up to the poverty line. The state's Medicaid income limit is set below half the poverty line, making many poor pregnant women and infants (among other poor individuals) ineligible. Moreover, Wyoming has chosen not to provide Medicaid to working poor families with children that have sufficiently high medical expenses that their income after medical costs makes them poorer than families receiving AFDC benefits. (The selection of this option could also benefit elderly and disabled people.) Wyoming also denies coverage to most people living in poor families with children where both parents are present.

For those single-parent families and elderly and disabled households that do receive Medicaid, Wyoming offers only nine of 32 optional services, the fewest number offered in any state. Wyoming's Medicaid program does not offer such important optional items and services as dental services, prescription drugs, eyeglasses, and emergency hospital services.

Wyoming also has no general cash assistance for poor single individuals and childless couples who are neither elderly nor disabled. These types of households are also unlikely to receive health care coverage. In addition, in an average month in 1986, nearly two of every three unemployed workers in the state did not receive unemployment benefits.

These and other aspects of the Wyoming safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Wyoming well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Wyoming does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Wyoming:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $360 per month, or $4,320 per year. This AFDC benefit equals 47.6 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 24th out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $200 per month. At most, AFDC and food stamp benefits combined can equal 74.0 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,680 per year, which equals 40.2 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 41.2 percent from 1970 to 1987, after adjusting for inflation. AFDC benefits in Wyoming were last raised in 1985.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Wyoming who incurs deductible child care costs of $106 a month,[4] earnings of $561 a month -- equal to 74.2 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Wyoming:

- For a single mother with two children who does *not* get a child care deduction, earnings of $455 a month -- equal to 60.2 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Wyoming provides AFDC emergency assistance.

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[4] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Wyoming does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Wyoming, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6] Moreover, even though Wyoming supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Wyoming:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- Wyoming supplements the basic federal SSI grant by $20 a month for an individual and $40 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 79.2 percent of the poverty line for an individual and 95.9 percent for a couple.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $36 per month for an individual and $51 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 87.2 percent of the poverty line for individuals and 104.8 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

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[7] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

In Wyoming:

- There is a state general assistance program, but it serves only disabled people. Thus nondisabled, nonelderly[8] singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).
- For a disabled household without any income, the monthly benefits are $145 for one person or $235 for a two-person household, which are equal to 30.1 percent and 38.1 percent of the respective poverty lines for these households.[9]
- Benefits are provided only on a temporary basis.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or

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8. Singles and childless couples who are elderly and have low incomes may be eligible for SSI cash benefits.

9. In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Wyoming does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Wyoming does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Wyoming extends Medicaid coverage only to some income-eligible children under 19 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Wyoming is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in Wyoming is the same as the AFDC income eligibility limit, which is less than half (47.6 percent) of the three-person poverty level.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Wyoming does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

Wyoming is one of seven states that has adopted *none* of the four key Medicaid options described above: coverage of two-parent families, coverage of Ribicoff children, a Medically Needy program, and SOBRA coverage of pregnant women and young children. In contrast, forty-one states have adopted two or more of these options.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Wyoming covered nine out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important items and services *not* covered by the Medicaid program in Wyoming included dental services, prescribed drugs, eyeglasses, and emergency hospital services.

The restrictiveness of the Medicaid program in Wyoming is especially noteworthy because in 1985 the state infant mortality rate was 12.2 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

unserved. Nationally, only about one of every four elderly poor households receives SSI.

Moreover, by federal law recipients of the *federal* SSI grant are automatically eligible for Medicaid, but Wyoming is one of a few states that has chosen not to confer automatic Medicaid eligibility on people who only receive *state* SSI supplemental payments.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Wyoming does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Wyoming has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Wyoming does not pay for items and services such as dentures as well as diagnostic, screening, and preventive services other than those specifically provided for under the Medicaid plan.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Wyoming.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Wyoming:

- 34.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Wyoming ranked 23rd among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Wyoming:

- Average unemployment insurance benefits equaled 44.9 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Wyoming, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0.0%
Corporation net income	0.0
General sales	23.2
Selective sales	6.8
License	7.6
Other taxes	62.5

Wyoming's heavy reliance on "other taxes" is unusual among the states. Virtually all of these taxes are severance taxes on minerals and coal.

For poor households in most states, sales tax burdens can be significant. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Wyoming:

- The sales tax rate was 3.0 percent in 1987.
- Some 23.2 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Wyoming:

- Food and utilities were *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Wyoming has a sales tax credit for low-income households, but it is restricted to elderly and disabled people. For low-income households that are neither elderly nor disabled, Wyoming is one of five states with a sales tax that fails to exempt food and utilities from the sales tax and also does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Wyoming does *not* have a circuitbreaker program.[12]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 3,915 renter households in Wyoming received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in Wyoming totalled 16,620. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 23.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 23.6 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental

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[12] Circuitbreaker information is from 1985.

Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Wyoming:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 55.5 percent. This represented a shortage of 5,182 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program

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[13] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

(LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Wyoming's share of the federal LIHEAP appropriation equaled 35.2 percent of the estimated total heating and cooling costs[14] of all low-income households in Wyoming which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Wyoming, an estimated 72.7 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Wyoming does *not* supplement the WIC program.

In 1987, however, Wyoming did institute new procurement measures to reduce the cost of the infant formula provided through the WIC program. The savings generated are being used to add more participants to the program.

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[14] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

[15] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.